



**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • TTY: 323.838.7449 • www.lacdc.org



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Acting Executive Director

ADOPTED

Community Development Commission

March 24, 2009

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Honorable Board of Commissioners
Community Development Commission of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Commissioners:

**AUTHORIZE AMENDMENTS TO THE LOAN AGREEMENT WITH WOODS FAMILY
HOUSING PARTNERS, L.P. TO PROVIDE ADDITIONAL FUNDING FOR THE
DEVELOPMENT OF 3RD & WOODS FAMILY HOUSING, AN AFFORDABLE
MULTIFAMILY RENTAL HOUSING DEVELOPMENT IN UNINCORPORATED EAST
LOS ANGELES (DISTRICT 1) (3 VOTE)**

SUBJECT

This letter requests authorization to amend the Loan Agreement with Woods Family Housing Partners, L.P. to provide additional funds in a total amount of up to \$3,000,000. The proposed funding consists of \$1,000,000 in Tax Increment funds from the Maravilla Redevelopment Project Area, \$1,000,000 in Community Development Block Grant funds, and \$1,000,000 in interest earned from First Supervisorial District construction projects administered by the Construction Management Division, in order to fund additional construction costs for the development of 3rd & Woods Family Housing.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that approval to amend the Loan Agreement with Woods Family Housing Partners, L.P. is not subject to the provisions of the California Environmental Quality Act, as described herein, because the action will not have the potential for causing a significant effect on the environment.
2. Authorize the Acting Executive Director to amend the Loan Agreement, and all related documents, with Woods Family Housing Partners, L.P. to provide a total amount of up to \$3,000,000, comprised of \$1,000,000 in Tax Increment funds from the Maravilla Redevelopment Project



Area, \$1,000,000 in Community Development Block Grant funds allocated to the First Supervisorial District and \$1,000,000 in interest earned from First Supervisorial District construction projects administered by the Commission's Construction Management Division (Interest Funds), to pay additional construction and permanent financing costs for 3rd & Woods Family Housing, to be effective following approval as to form by County Counsel and execution by all parties.

3. Authorize the Acting Executive Director to amend the Loan Agreement and all related documents, with Woods Family Housing Partners, L.P. to reflect the change in commercial space from standard commercial to live/work units, affordable for families with incomes at or below 50% of the Area Median Income.
4. Authorize the Acting Executive Director to incorporate up to \$1,000,000 in Tax Increment funds from the Maravilla Redevelopment Project Area, \$1,000,000 in Community Development Block Grant funds allocated to the First Supervisorial District, and \$1,000,000 in Interest Funds, as needed, into the Commission's Fiscal Year 2008-2009 approved budget, for the purposes described above.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended actions is to authorize the Acting Executive Director to execute amendments to the Loan Agreement, and all related documents, with Woods Family Housing Partners, L.P. (Developer) to provide additional funding for increased construction and permanent financing costs for 3rd & Woods Family Housing, a three-story affordable multifamily rental housing development (Project) located at 5051 E. 3rd Street in unincorporated East Los Angeles. The amendments will also update the portions of the Loan Agreement, and all related documents, to reflect a change in the nature of the Project's commercial space from standard commercial to live/work units (units providing an area where resident may operate a business).

FISCAL IMPACT/FINANCING

On August 5, 2008, your Board approved funding to the Developer in the amount of up to \$2,037,000 in City of Industry Housing Set-Aside Funds and up to \$5,505,000 in HOME Investment Partnerships Program funds for the acquisition of the Project site by the Commission and for predevelopment, construction, and permanent financing for development of the Project.

In order to pay a portion of increased construction and permanent financing costs, Tax Increment funds in an amount of up to \$1,000,000, Community Development Block Grant funds in an amount of up to \$1,000,000 and Interest Funds in an amount of up to \$1,000,000 will be provided to the Developer through amendments to the Loan Agreement. The current action will allocate a total additional amount of up to \$3,000,000.

A Financial Analysis is provided as Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

3rd & Woods Family Housing is a planned affordable multifamily rental development located in the Third Street Corridor in unincorporated East Los Angeles. On September 12, 2008 the Commission purchased the Project site and leased it to the Developer for the construction and operation of the Project. Since that time, the total development cost has increased from \$27,426,224 to \$31,389,874 as a result of a building redesign, which will decrease the number of building stories from four to three and incorporate up to 12 live/work units instead of standard commercial space. The Project has maintained the same number of affordable units in order to remain competitive for other financing sources; however, in order to maintain the same number of units with one fewer story, a second level of subterranean parking was needed, substantially increasing construction costs. Additional funds are needed to ensure completion of construction in furtherance of the Commission's planning and policy goals for the area.

Section 33334.2 of the Health and Safety Code of California Community Redevelopment Law authorizes the use of Tax Increment funds outside a Redevelopment Project Area upon approval by the Board of Supervisors and the Board of Commissioners of the Community Development Commission. On April 22, 2008, the Board of Supervisors and the Board of Commissioners adopted resolutions authorizing the use of Tax Increment funds outside of the Maravilla Redevelopment Project Area for proposed housing developments within the Third Street Corridor in unincorporated East Los Angeles.

The Project will consist of three stories and 60 units. Fifty-nine units will be set aside for low-income families with incomes at or below 50% of the Area Median Income (AMI), as defined by the U.S. Department of Housing and Urban Development (HUD) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size. The remaining unit will be set-aside for the manager and will have no income restrictions. Six of the 59 affordable units will be reserved for families with incomes at or below 30% of AMI. The Project will include 12 live/work units; 11 of these units will be reserved for families with incomes at or below 50% of AMI, and the remaining unit is the manager's unrestricted unit.

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ENVIRONMENTAL DOCUMENTATION

This action is exempt from the provisions of the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. These activities are not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

An Environmental Assessment was prepared for the Project pursuant to NEPA requirements. Based on the conclusions and findings of the Environmental Assessment, a Finding of No Significant Impact was approved by the Certifying Official of the Community Development Commission on September 20, 2007. Following the required public and agency comment period, HUD issued a Release of Funds for the Project on October 5, 2007.

Consistent with the provisions of the CEQA Guidelines, Article 14, Section 15221, notice was provided to the public that the Environmental Assessment would be used in place of an Initial Study to satisfy CEQA requirements. The Environmental Assessment/Mitigated Negative Declaration (EA/MND) was circulated for public review as required by state and local law, and the EA/MND, in conjunction with the Mitigation and Monitoring Plan, meets the requirements of CEQA.

Your Board approved the EA/MND and the Mitigation Monitoring Plan for this project on August 5, 2008.

IMPACT ON CURRENT PROJECT:

The additional construction and permanent funding for the Project will increase the supply of affordable multifamily rental housing in Los Angeles County.

Respectfully submitted,



CORDÉ D. CARRILLO
Acting Executive Director

Attachments: 1

Attachment A
HOUSING FINANCIAL ANALYSIS
3rd & Woods Family Housing

The Project will consist of up to 60 two- and three-bedroom units to serve low-income families and one manager's unit and will be located on the northwest corner of East Third Street and South Woods Avenue in unincorporated East Los Angeles.

The following is an analysis of funding for the project:

USES	TOTAL	PER UNIT
Total Development Cost	\$31,389,874	
SOURCES		
<u>Construction Phase</u>		
Construction Loan (private)*	\$ 8,827,886	
LIHTC Equity - 9%*	\$ 6,574,325	
County of Los Angeles		
HOME	\$ 5,505,000	
Industry	\$ 2,037,000	
Tax Increment*	\$ 1,000,000	
CDBG*	\$ 1,000,000	
Interest Funds*	\$ 1,000,000	
State HCD In-Fill Infrastructure	\$ 2,695,000	
State HCD TOD Funds*	\$ 1,800,000	
Developer Equity	\$ 25,224	
Deferred Costs	\$ 925,439	
Total Construction Sources	\$31,389,874	\$ 523,165
<u>Permanent Phase</u>		
Permanent 1st Loan (private)*	\$ 2,664,000	
LIHTC Equity - 9%*	\$13,148,650	
County of Los Angeles		
HOME	\$ 5,505,000	
Industry	\$ 2,037,000	
Tax Increment*	\$ 1,000,000	
CDBG*	\$ 1,000,000	
Interest Funds*	\$ 1,000,000	
State HCD In-Fill Infrastructure	\$ 2,695,000	
State HCD TOD Funds*	\$ 1,800,000	
Developer Equity	\$ 25,224	
Deferred Developer Fee	\$ 515,000	
Total Permanent Sources	\$31,389,874	\$ 523,165

*Proposed funding sources not currently committed.